

The directors herein present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS AND DIVIDENDS

The Group's loss for the financial year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 106.

The directors do not recommend the payment of any dividend in respect of the financial year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2006, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 107. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the financial year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 74.

SHARE CAPITAL, CONVERTIBLE SECURITIES, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, convertible securities, share options and warrants of the Company during the financial year, together with the reasons therefor, are set out in notes 25, 22 and 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

The Company repurchased 47,876,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the financial year and these shares were subsequently cancelled by the Company. Further details of these transactions are set out as follows:

Date	No. of shares repurchased	Share price	
		Highest HK\$	Lowest HK\$
June 2005			
6	3,000,000	0.099	–
7	3,135,000	0.095	0.091
8	20,084,000	0.099	0.089
9	10,780,000	0.102	0.098
10	10,877,000	0.100	0.098
	47,876,000		

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The directors considered that the shares were repurchased for the purpose of enhancing the net assets value per share of the Company.

Save as disclosed above, neither the Company nor any its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of HK\$319,113,000 may be distributed under certain circumstances and accordingly, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 amounted to HK\$193,194,000 as at 31 March 2006. In addition, the Company's share premium account and capital redemption reserve, amounted to HK\$389,062,000 as at 31 March 2006, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2006, the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's revenue and total purchases, respectively.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2006 were:

Kwong Kai Sing, Benny (*Chairman*)

Lo Ki Yan, Karen (*Vice Chairman*)

Ong Peter (*Managing Director*)

Poon Chi Wan

Chung Yuk Lun*

(re-designated from Non-Executive Director
to Independent Non-Executive Director
on 28 February 2006)

Chan Sze Hung**

To Shing Chuen**

Ha Kee Choy, Eugene**

(appointed on 1 October 2005)

Frank H. Miu**

(resigned on 2 June 2006)

* *Non-executive director*

** *Independent non-executive directors*

In accordance with bye-law 91 of the Company, Mr. Ha Kee Choy, Eugene will retire from office at the forthcoming AGM. In addition, Ms. Poon Chi Wan and Mr. Chung Yuk Lun will retire from office by rotation at the forthcoming AGM in accordance with bye-law 99 of the Company. Mr. Ha Kee Choy, Eugene, Ms. Poon Chi Wan and Mr. Chung Yuk Lun, all being eligible, offer themselves for re-election as directors at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the financial year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Kwong Kai Sing, Benny	175,000,000	–	175,000,000	2.45
Ong, Peter	22,880,000	–	22,880,000	0.32

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, as at 31 March 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures in note 26 to the financial statements, at no time during the financial year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chuang Eugene Yue-Chien <i>(note)</i>	Through a controlled corporation	821,860,000	11.52
Sunderland Properties Limited <i>(note)</i>	Directly Beneficially owned	821,860,000	11.52
Kwok Wai Ming	Directly beneficially owned	375,000,000	5.26

Note: These shares represent the same parcel of shares and were held by Sunderland Properties Limited ("Sunderland Properties"). Sunderland Properties is a company wholly-owned by Mr. Chuang Eugene Yue-Chien.

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests in shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

- (a) As disclosed in the Report of the Directors of the Company's 2005 Annual Report, on 22 January 2005, Rightmind Developments Limited ("Rightmind"), a direct wholly-owned subsidiary of the Company, entered into a conditional verbal agreement (the "Verbal Agreement"), whereby Rightmind agreed, amongst other things, (i) to acquire 20% equity interest in Found Macau Investments International Limited ("Found Macau") at a consideration of US\$20; (ii) to become a party to a shareholders agreement relating to Found Macau (the "Shareholders Agreement"); and (iii) to make a shareholders loan of HK\$100 million to Found Macau (the "Found Macau Loan") (collectively the "Transactions"). Found Macau is an investment holding company incorporated in the British Virgin Islands and it currently intends to directly or indirectly invest in gaming, entertainment and related businesses in Macau through its subsidiaries to be incorporated. As Mr. Lao Hin Chun, the stepfather of Mr. Peter Ong (the managing director of the Company), is one of the founders and shareholders of Found Macau at the date of the Verbal Agreement, the Transactions constituted major and connected transactions under Rule 14.06 and Rule 14A.13 of the Listing Rules and were subject to the approval of independent shareholders at a special general meeting of the Company (the "SGM").

On 14 March 2005, the necessary independent shareholders' approval was obtained in the SGM and as at 31 March 2005, Rightmind had advanced HK\$50 million to Found Macau, which constituted part of the Found Macau Loan. The balance of the Found Macau Loan of HK\$50 million was satisfied in April 2005 by the issue of certain new convertible notes of the Company with a principal amount of HK\$50 million as further detailed in note 22 to the financial statements. The Found Macau Loan is unsecured, interest-free and is repayable after 8 years from the date of drawdown. On the same date, pursuant to the Verbal Agreement, the 20% equity interest in Found Macau was transferred to Rightmind and Rightmind has effectively become a party to the Shareholder Agreement dated 22 January 2005, via a deed of adherence entered into by Rightmind.

Further details of the above, including the Transactions and the underlying agreements, were also set out in a circular of the Company dated 25 February 2005.

- (b) As disclosed in the Report of the Directors of the Company's 2004 Annual Report, in December 2003, the Group acquired 20% of the issued share capital of a Macau-incorporated company, King Kong International Investments Limited (in Portuguese, King Kong Internacional Investimentos, Limitada) ("King Kong"), from Mr. Peter Ong for a consideration of HK\$24,500. The Group had also provided a shareholder loan of HK\$40,000,000 to King Kong in accordance with the verbal agreement between the shareholders of King Kong. The loan to King Kong was interest-free, unsecured, and had no fixed repayment terms. On 18 July 2005, the shareholder loan of HK\$40,000,000 to King Kong was repaid.

DISCLOSURES PURSUANT TO RULE 13.13 OF THE LISTING RULES

In accordance with the requirements of Rule 13.13 of the Listing Rules, the directors of the Company reported below an advance given to the following entity as at 31 March 2006 which represent more than 8% of the assets ratios (as defined in Rule 14.07(1) of the Listing Rules).

The Group has provided a shareholder loan with principal amount of HK\$100 million to Found Macau during the year. The loan is unsecured, bears an effective interest rate of approximately 10.2% per annum, and is repayable after 8 years from the date of drawdown on 21 March 2005.

SUFFICIENCY OF PUBLIC FLOAT

Based on the public available information and to the best knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Kwong Kai Sing, Benny

Chairman

Hong Kong
25 July 2006